

**PUBLIC DISCLOSURE**

June 10, 1996

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

THE BANK OF COMMERCE  
10-40-3680

P.O. BOX 128  
WETUMKA, OKLAHOMA 74883

Federal Reserve Bank of Kansas City

925 Grand Avenue  
Kansas City, Missouri 64198

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of The Bank of Commerce prepared by the Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of June 10, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

**INSTITUTION'S CRA RATING:** This institution is rated satisfactory.

The bank has a satisfactory record of helping to meet the credit needs of its entire assessment area. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. In addition, a majority of loans are within the bank's assessment area. Furthermore, the geographic distribution of loans and the distribution among borrowers of different income levels and businesses of various sizes are reasonable.

*The following table indicates the performance level of The Bank of Commerce with respect to each of the five performance criteria.*

SMALL INSTITUTION ASSESSMENT CRITERIA	The Bank of Commerce PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	NO COMPLAINTS WERE RECEIVED SINCE THE PRIOR EXAMINATION.		

## DESCRIPTION OF INSTITUTION

The Bank of Commerce is located in Wetumka, Oklahoma, approximately 80 miles east of Oklahoma City and 90 miles south of Tulsa. According to the 1990 Census, the city has a population of 1,427. The bank has the ability to meet the credit needs of its defined assessment area based on its financial condition, size, and resources. According to the bank's March 31, 1996 Consolidated Reports of Condition and Income (ACall Report®), the bank's assets totaled \$13,835M, of which loans constituted \$6,286M or 45 percent. Although the bank offers a variety of loan products to meet the credit needs of its assessment area, the bank is primarily a real estate, consumer, and agricultural lender.

## DESCRIPTION OF THE BANK OF COMMERCE ASSESSMENT AREA

The bank's assessment area is comprised of three Block Numbering Areas (ABNAs®) in portions of Hughes and Okfuskee Counties located in the central part of the State of Oklahoma. Hughes County includes one moderate-income and one

middle-income BNA. Okfuskee County includes one moderate-income BNA. According to the 1990 Census, the total population for the area is 7,791 with moderate-income families comprising two-thirds of all families within the assessment area. The median family income is 76.1 percent of the median income for rural Oklahoma. A large percentage of area households and families are low- or moderate-income, and the poverty and unemployment level is high compared with other parts of the state. Additional assessment area characteristics are summarized in the following table:

BANK ASSESSMENT AREA CHARACTERISTICS	
Income Summary	
Median Family Income	\$18,300
Percent Low-Income Families	33
Percent Moderate-Income Families	18
Percent Middle-Income Families	18
Percent Upper-Income Families	29
Unemployment Summary	
Labor Force Population (Assessment Area)	3,000
Percent Unemployment (Assessment Area)	11
Percent Unemployment (State)	6
Housing Summary	
Total Housing Units (Assessment Area)	3,400
Median Housing Value (Assessment Area)	20,700
Median Housing Value (State)	47,600
Percent of Housing Units Vacant	13
Miscellaneous	
Total Population	7,791
Percentage of Families Below Poverty	23

Minority Population	28
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The Combined Regional Employment and Income Services ("REIS") data for 1993 indicated a high unemployment rate of 11.8 percent within the assessment area compared to 6.7 percent for the State of Oklahoma. The local economy is largely dependent upon agriculture and the service industry. According to the REIS data, the service industry provided 44.6 percent of area jobs in 1993. Other major employers include the Wetumka Hospital and Wes Watkins Area Vo-Tech School with approximately 50 and 30 employees, respectively.

Interviews with local business leaders indicated that housing is affordable, but also limited. The 1990 Census reports that housing affordability in the assessment area is more favorable than the State's overall average. Gross rents are approximately 24.9 percent lower than in other statewide rural areas. As a result, even with the high rate of low- and moderate-income households in the assessment area, only 30.6 percent of renters pay more than 30 percent of their incomes for rent. Approximately 83 percent of the housing stock is 1- to 4-family units and 15 percent are mobile homes. Although there is minimal home construction in the area, the housing stock has a median age of 32 years, which is comparable in age to the housing stock in other parts of rural Oklahoma.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Several factors were considered in evaluating the bank's CRA performance. These include a review of the bank's level of lending in relation to its deposits and that of other comparable financial institutions; penetration of loan originations inside and outside the bank's defined assessment area; the bank's record of lending to borrowers of different income levels and to businesses of various sizes; and the distribution of loan originations within the bank's assessment area. In addition, public officials and business leaders were contacted to gather additional information about the community's credit needs and to confirm that the products and services offered by the bank met those needs. The evaluation did not include a review of the bank's performance under the investments and services tests.

The bank's average loan-to-deposit ratio (calculated using the previous six quarters beginning September 30, 1994) is 47.4 percent. The bank's average loan-to-deposit ratio is lower than its peer group, yet is generally similar to four area banks which have ratios ranging from 41.1 to 60.7 percent. The average loan-to-deposit ratio for the bank's peer group during the same period was 60.7 percent. The peer group consists of all insured commercial banks having assets between \$10 million

and \$25 million, with one banking office, and located in a nonmetropolitan area.

The bank's loan-to-deposit ratio is a reflection of the loan demand in the area and is considered satisfactory. The bank is located in an area with a low economic base, and there is a large need for small-dollar loans. The bank demonstrates a willingness to extend these types of loans and has originated a number of loans through the Class B low-dollar loan program.

Based on a sample of loans reviewed during the examination, a majority of the bank's lending occurs within its assessment area. A sample of real estate, consumer, and small business loans revealed that 95, 88, and 81 percent of the loans were located within the assessment area, respectively. Of all loan products sampled, 88 percent were within the assessment area.

Furthermore, the distribution of real estate loans among individuals of different income levels, and distribution of loans to businesses of different sizes, are reasonable given the demographics of the assessment area. Income information was not available for a majority of the consumer loan sample. Therefore, loan amounts were used as a proxy for borrower income during this examination. A review of the geographic distribution of loans originated by the bank reflects reasonable dispersion throughout the entire assessment area, given the area demographics and location of competitor institutions. Based upon the sample of three loan products, loan originations were located in all three BNAs within the bank's assessment area. In addition, approximately 90 percent of all loan products reviewed were originated in moderate-income BNAs, which comprise the majority of the bank's assessment area. The following table illustrates the percentage of sampled loans by loan product in BNAs of the various income levels.

DISTRIBUTION OF SAMPLED LOANS IN ASSESSMENT AREA BY INCOME LEVEL OF BNA			
Area Median Family Income			\$18,300
Income Level of BNA	Percentage of Real Estate Loans	Percentage of Small Business Loans	Percentage of Consumer Loans
Low (<50% of median)	No Low Income BNAs in Assessment Area		
Moderate (50-80% of median)	81	91	97

Middle (80-120% of median)	19	9	3
Upper (>120% of median)	No Upper Income BNAs in Assessment Area		
Total	100	100	100

The bank is in compliance with the substantive provisions of consumer laws and regulations. A review of bank policies, credit applications, and loans revealed no prohibited practices designed to discourage applications. However, technical violations of Regulation B were identified regarding collection of monitoring information and written denial notices for business applicants. None of the violations were discriminatory in nature. Management stated that additional training would be provided to ensure future compliance.



